United States
Department of Agriculture

Foreign Agriculture Service

March 1982

# Foreign Agriculture

## European Community: Its Trade Policies

# Marketing News

**The Southern United States Trade Association (SUSTA)** and the Foreign Agricultural Service will sponsor the Seventh International Food and Agricultural Trade Show in New Orleans, March 16–17. This show is the largest U.S. food exhibit devoted exclusively to the export market. More than 150 exhibitors from 30 States and Puerto Rico will display a wide variety of food and agricultural products. Buyers from more than 50 countries are expected to attend. . . .**U.S. Wheat Associates** reports that three U.S. teams of wheat quality experts recently returned from missions to Asia, Europe, and Latin America, where they conducted seminars on the 1981 U.S. wheat crop for foreign buyers. . . .The board of directors of the **United Egg Producers (UEP)** has approved the establishment of a Webb-Pomerane association, tentatively called United Egg International. The group will sell overseas. Similar organizations—American Poultry International and U.S. Poultry Export, Inc.—exist for the broiler industry. . . .**The Poultry and Egg Institute of America's** representative in the Middle East has started a recipe program for U.S. poultry products that aims to tell Arab and other Middle Eastern consumers about the variety of dishes they can make with U.S. turkey, chicken, duck, and poultry meat products. . . .**The California Almond Growers Exchange** recently became the first U.S. recipient of a gold medal awarded by the Federation of Japanese Confectionery Associations. The award has traditionally gone to French confectionery associations. Blue Diamond was recognized for the quality of its products and its dedication to educating Japanese consumers about almond usage. Japan is now the second largest importer of California almonds. . . .**The Holstein Association** reports that U.S. Holsteins were purchased by more than 25 countries in 1981. . . .The U.S. International Food Show is scheduled for April 14–18 in New York City's Coliseum. The exhibit is being sponsored by the **Eastern United States Agricultural and Food Export Council (EUSAFEC)**. . . .**The Mid-American International Agri-Trade Council's (MIATCO)** specialty crop mission for seeds returned recently from Europe. Importers showed serious interest in many of the 60 seed varieties represented. . . .**The Foreign Agricultural Service** has suspended its label clearance program except for labels for new-to-market items for participants in FAS-sponsored events overseas. . . .**The National Renderers Association** will hold its annual convention Oct. 24–31 aboard the Sun Viking, Royal Caribbean Cruise Line, departing Miami. . . .A team of Chinese industrial engineers from the People's Republic of China recently completed a 20-day tour of U.S. corn processing facilities sponsored by the U.S. Feed Grains Council. The tour included a corn processing course at Kansas State University and tours of corn refining and processing plants in Illinois, Iowa, Indiana, and Connecticut. The Chinese are particularly interested in developing fructose and corn byproduct processing plants. Construction of a fructose plant in China could begin this year. . . .**The U.S. Trade Center, American Embassy, Seoul,** reported an excellent turnout for its "Food Processing USA" exhibit in November. The video/catalog show impressed the Korean food processing industry and established the credibility of U.S. food processing and packaging manufacturers in Korea, a market traditionally dominated by Japanese processors. . . .In its year-end progress report, the **U.S. Meat Export Federation (MEF)** indicated that 1981 was a successful and busy year for U.S. meat promotion. MEF hosted a western-style cookout for 50 chefs from the main hotels in Tokyo, and held spareribs promotions in Tokyo and Yokohama. The MEF booth at the Harumi Trade Fair in Tokyo sold more than 15 tons of grain-fed U.S. beef to the local trade. In addition, MEF/Tokyo sponsored trips to the United States for several meat study teams, including representatives of Japan's major pork processors. In Europe, MEF hosted several menu promotions and beef samplings in hotels and restaurants, as well as meat seminars for importers and meat handlers. MEF Europe's goal for this year is to convince retail food chains and butcher shops to test U.S. marbled beef. . . .**Cornell University** will hold its 19th annual agribusiness executive program, June 7–18.

**The Magazine for Business Firms Selling U.S. Farm Products Overseas**

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**Managing Editor**
Aubrey C. Robinson

**Writers**
Mary Frances Chugg
Neil G. Gallagher
Lynn A. Krawczyk
Marcellus P. Murphy
Geraldine Schumacher

**Design Director**
Sara Tweedie

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# A Viewpoint—
# Unified U.S. Approach To EC Trade Polices

*By Seeley G. Lodwick*

The European Community and the United States account for only 11 percent of the world's population. Yet these nations—the United States and the EC-10—account for one-half of all agricultural trade and nearly the same proportion of total trade in the world. Obviously, the future course of trade relations between these traditional partners will have far-reaching effects on the international economy.

Because of that—and a growing U.S. concern over the direction of EC policy—the subject of agriculture is now very much in the forefront of trans-Atlantic economic discussions. Other nations, too, are more than interested observers.

Secretary of Agriculture John Block was in Europe twice in 1981, specifically for conversations with Community leaders. Last May, he not only traveled to EC headquarters in Brussels but also to the capitals of EC members France, Germany, the Netherlands, and the United Kingdom. In December, he was in Brussels again—this time with Secretary of State Alexander Haig and U.S. Trade Representative William Brock.

Meanwhile, U.S. officials have had repeated talks in Washington at varying levels of government. Members of the Commission of the European Community were to be in Washington during early February for further discussions in both the agricultural and industrial sectors.

**Dialogue Will Continue**

There is, as John Brock told a Congressional Committee on December 16, a determination on both sides to intensify efforts to reach solutions. "The dialogue will continue," he said, "and we in the United States intend to do our part to see that there is movement, and movement soon, toward those solutions."

As Secretary Block explained, the principal U.S. concerns are the continuing threats of increased border protection against U.S. products entering the Community and the EC's increasingly aggressive export of its own products under export subsidy. The U.S. view is that the fundamental problem is surplus production stimulated by high levels of protection, then disposed of through export subsidies.

**The Initial Objectives of the CAP**

This problem is rooted in practices going back to the beginning of the Common Agricultural Policy (CAP).

When the Treaty of Rome was signed by the initial membership of six countries, it laid the basis for this policy, known as the CAP. The purposes of the CAP, as stated in the Rome Treaty, were to increase farm productivity, stabilize markets, ensure a fair standard of living for farmers, guarantee regular supplies, and ensure reasonable prices for consumers.

Those are worthy objectives. In practice, however, the EC's goals are more specific and more controversial. Americans have many times found themselves in conflict with EC policies and practices. So have agricultural interests in other countries.

The first CAP regulations, as established in 1962, covered grains,

The European Community includes Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, and the United Kingdom.

poultry, pork, eggs, and fruits and vegetables. Since then, regulations for practically all other agricultural commodities have been added, and regulations for alcohol and potatoes are now being considered by the Community. All of these basic regulations revolve around three fundamental principles: Community preference, common pricing, and common financing.

Community preference establishes within each EC country a preferred market for agricultural products of other member countries. This helps insulate the EC from world market price fluctuations. In addition to charging tariffs on some imported goods, the EC imposes variable levies which come into play when world market prices fall below the minimum import prices established by the EC.

When EC agricultural products are exported, especially in the case of surplus items, the Community increasingly has used export subsidies to make these commodities more competitive in the world market. On the other hand, if the EC price should go below the world price, the Community may use an export levy to keep products within the Community. In recent months, the EC import levy for wheat has averaged around $80 a metric ton, or well over $2 a bushel.

Domestically, the EC uses intervention prices to further support farm income. The intervention price is the price at which a producer is assured a buyer, since the intervention agency in each EC country is obligated to buy at that price. Any producer who cannot get an equivalent price in the market can turn it over to the intervention agency and receive the intervention price.

Under the CAP, the EC also subsidizes the production of processed fruits and vegetables, most oilseeds including soybeans, field beans and peas used in animal feed, and various products used in baking, brewing, and glucose manufacture. The EC also grants direct aid to farmers in underprivileged areas.

The second principle of the CAP—common pricing—requires the price of an agricultural commodity to be the same throughout the EC, without interference from either national duties or subsidies. The common pricing principle has often been disrupted by fluctuations in exchange rates, and to deal with this the Community has a system of offsetting border taxes and subsidies.

Under the third principle—common financing—the cost of the CAP is shared among the member states through a mechanism known as the European Agricultural Guidance and Guarantee Fund. One section of this fund finances market support expenditures, such as intervention purchases, stockpiling, and export subsidies. Another section finances internal programs aimed at improving the structure of agriculture.

**Paying the Costs of the CAP**

Who pays for all this? The most direct burden falls on the EC budget, which is causing increased concern within the Community.

The costs of ever-increasing dairy surpluses weigh seriously on the Community's budget. As a result, the EC Commission is now considering ways to reform the CAP in order to reduce support spending on surplus commodities.

The European consumer also pays because high internal prices increase the costs of food at retail. High supports encourage uneconomic production, concentrating resources on commodities that end up in CAP stocks or in subsidized exports, and meanwhile discouraging the production of other products that might provide consumers with greater variety and economy. For example, beef, pork, and poultry meat are consistently more expensive in London, Paris, Bonn, and Rome than they are in Washington, Chicago, New York, or San Francisco.

**But Others Help Bear the Costs Of the CAP**

Such overproduction in order to profit from a government policy suggests that the costs of the CAP are also borne by a third contributor—the world market, of which the United States is a major part. Increasingly, EC policies seek to shift the cost of domestic programs to other trading countries through unfair competition and through import taxes and other duties and levies.

The United States is, of course, pleased that the Community is no longer actively considering the imposition of a tax on vegetable fats and oils. But over the years there have been recurring threats to the zero duty binding on soybeans and products that the United States negotiated and paid for in the Dillon Round of general negotiations 20 years ago. The U.S. soybean market in the Community is now valued at almost $4 billion annually, and the United States will accept no impairment of these bindings.

Pressure continues from some EC sources to limit EC imports of non-grain feed ingredients, particularly corn gluten feed. These voices advocate unbinding the zero duty bound in the General Agreement on Tariffs and Trade (GATT), citing as a justification the growth in importers of corn gluten and fears that rising output of ethanol and corn sweetener production in the United States will sharply increase imports. U.S. leaders told Community leaders that their fears are unfounded.

The reason for the increase in U.S. exports of corn gluten to the EC is simply market price. Corn gluten prices in the United States are about 25 percent higher than those for domestic corn, while the price of corn gluten in the EC is as much as 20 percent below EC corn prices due to the Community's high price supports. U.S. production has increased moderately, but domestic utilization has declined dramatically as available supplies have been drawn into export channels.

With an export trade in non-grain feed ingredients—valued at $600 million to $700 million in 1981—at stake, the United States would be forced to move decisively to defend its trade interests if the EC were to act to restrict U.S. market opportunities.

**EC Policies Affect Third-Country Markets**

Even more serious is the Community's policy in relation to competition with U.S. products in third-country markets.

The EC has, for example, adopted an increasingly aggressive wheat and wheat flour export policy, using subsidies to dispose of surplus grain in world markets. Most recently, it has targeted key U.S. markets in Latin America and also in China, where the Commission authorized an additional subsidy above that provided to other destinations.

When the United States expresses concern about these policies, the Community responds by outlining new guidelines proposed for the CAP last October by the EC Commission. These guidelines, it is argued, would set some limits on EC production by withdrawing price protection when production targets are met and would move EC cereal prices closer to world levels.

We in the United States would certainly applaud such an objective. Unfortunately, the present reality is a continued trend toward overproduction in sugar, wheat, and dairy products—aided by a projected 4 to 7 percent increase in EC prices in the face of declining world prices. There is nothing to applaud in that.

Nor can the United States be encouraged by the possibility that the EC will adopt for other key commodities an aggressive export policy similar to that now in effect for sugar, wheat, and dairy products. This policy would use export subsidies, long-term supply agreements, and special credit arrangements to dispose of agricultural surpluses of many kinds.

**Why There Is Concern Over U.S. Farm Exports to the EC**

The question is sometimes asked: Why is the United States worried about U.S. export business in the European Community (EC) in view of the growth that has taken place in that market? U.S. agricultural exports to the EC market expanded from $5.6 billion[1] in calendar 1975 to $8.9 billion in 1980. Three points might be made:

- Since 1975, the Community has declined as a share of U.S. agriculture's export market—from over one-fourth to about one-fifth. As an agricultural market, the EC is relatively stagnant in a world market that has generally been growing and dynamic. This is the result of internal EC policy decisions, not the result of basic economic forces.

- In 1980, for the first time in history, Europe fell behind Asia as a market for U.S. farm products and the spread widened in 1981. This is an historic shift—after 377 years during which Europe as a continent was our primary agricultural market.

- The largest category in U.S. agricultural trade—grains—has lost substantial ground in the EC. Between 1975 and 1980, U.S. exports of grains and grain products to the Community fell in value from $2.2 billion to $1.7 billion. The tonnage declined from 15.6 million to 11.5 million.

Feed grain exports, mostly corn, declined from 13 million tons in 1975 to 9.4 million in 1980. Wheat exports to that market fell from 2.5 million tons to 1.5 million.

That deficit was more than made up by soybeans and other commodities not subject to the EC's variable levy—so that total farm sales to the EC did appreciate, but modestly. In the 5 years, U.S. sales of soybeans rose from 5.7 million tons to 9.6 million and soybean meal from 2.6 million tons to 3.8 million.

The decline in U.S. corn exports to the Community reflects both an increase in EC production of competing feed substitutes and a declining rate of growth in feed grain consumption. Both are the result of encouragement by the EC of its own production at high prices, isolated from import competition by variable levies.

At the same time, the EC system has attracted products competitive with corn. U.S. soybean shipments have increased 68 percent in volume—although even this growth has lagged behind the overall expansion in the U.S. export market for soybeans. U.S. soybean exports to non-EC countries have grown by 74 percent in the past 5 years.

[1]Figures in this article are adjusted for transshipments.

Such a plan would directly affect U.S. exports, particularly of grains and poultry, and it would further strain U.S. trade relations with the EC. The United States does not question the Community's right under the Subsidy Code to use subsidies. What cannot be accepted is their use in order to expand the EC share of the world market at the expense of U.S. farmers, who must compete without any direct assistance in the world market. The United States welcomes economic competition but U.S. farmers should not have to compete against foreign treasuries.

Any expansion in export subsidies by the EC will damage U.S. trade, both within the Community and in other world markets. We in the United States are not willing to submit to this. Nor is U.S. agriculture. Section 301 complaints are pending or planned on a number of commodities, including sugar, wheat, flour and poultry. Other actions are being studied both within the U.S. government and outside, with a view toward influencing the future policies of the European Community.

**Basis of Administration's Farm Policy**

Domestic farm policies in this Administration are based on the proposition that U.S. agriculture is now part of a world system. The point has been reached where U.S. farmers are capitalized to produce for the export market. They expect to compete in the world market on a fair and realistic basis—and to benefit wherever they have comparative advantage.

That is why the United States continues to move toward a more liberal trade system in which trade distortions would be at a minimum. This is the philosophy underlying U.S. discussions with Community officials.

The Administration recognizes that, in the past, the U.S. response to the EC challenge has too often been fragmented and piecemeal, varying from department to department and from year to year. This is not an effective approach, and that problem has been corrected.

The Brussels meeting in December, with joint participation by U.S. Cabinet officers having trade responsibilities, has clearly signaled a new approach. U.S. agriculture has the full support of the Administration in a unified effort to deal with EC trade practices that are detrimental and unfair to the trade interests of American farmers. ■

*The author is USDA's Under Secretary for International Affairs and Commodity Programs.*

# EC Agricultural Surpluses—A Growing Factor in World Markets

Higher food production and the use of export subsidies have made the European Community (EC) a growing factor in world agricultural markets. The EC's expanded food exports and the planned entry of Spain and Portugal into the Community could markedly alter trade patterns with the United States in the near future.

For the Community's agriculture, 1980 was a year of both success and failure. Production continued its upward momentum, while farmers' income declined. The output of most commodities reached record levels in 1980, increasing about 3.3 percent in volume, well above the long-term trend of 2 percent. The value of production rose by about 9 percent.

Successful production in European agriculture is no guarantee of economic improvement for the Community's farmers or consumers. Because of an 11-percent increase in the cost of non-farm inputs, real farm incomes dropped 7 percent in 1980. The "terms of trade" in agriculture have steadily deteriorated since 1972, and real farm incomes have stagnated since 1973.

As a result of these problems, farm employment has dropped from 12 million to less than 8 million since 1968. The rate of migration from farms, however, has declined from the long-term trend of 3.6 percent (1968-79 average) to 2.5 percent because of growing unemployment.

Domestic consumption has kept pace with rising production only in the case of pork and poultry. As a result, oversupplies of most major products have developed. These surpluses are being pushed onto the world market in increasing amounts with the aid of export subsidies that have increased 4½ times since 1973. These subsidies now total about $8 billion or around one-half of the Community's agricultural expenditures.

**The EC Turns to a Common Export Policy**

Because of the growing export subsidies, the Community's Common Agricultural Policy (CAP) is rapidly becoming a de facto "Common Export Policy" (CEP). The EC has become a net exporter of all the major temperate zone products, except oilseeds: dairy, poultry, all red meats except lamb, and grains. Net exporter status for grains was finally reached in 1980/81. Ten years earlier the Community had net imports of 22 million metric tons.

Some trade sources are now predicting that by 1985/86 the EC could export close to 20 million tons of soft wheat, which would be equal to 20 percent of the world wheat trade. This compares

with the Community's net importer status up until the mid-1970s.

**Policy Reform**

Expenditures to support the EC farm sector and dispose of its surpluses grew almost 25 percent annually from 1975 to 1979—twice the rate of growth in the Community's traditional revenue sources of levies and import duties. Consequently, curbing farm expenditures has again become an official objective of the EC.

Past CAP reform efforts have failed. This time, however, curbing farm spending, which takes up three-fourths of the total budget, is tied to budget restructuring in favor of both other sectors and non-agricultural member states (United Kingdom). It is also linked to the need to reduce the potential cost of enlarging the Community.

If the CAP is not successfully reformed, the EC will be forced to increase the 1 percent limit on revenues from value added taxes. These revenues now account for 55 percent of the Community's resources, compared with only about one-third in 1973.

The EC Commission has submitted two major CAP reform proposals to the European Council:

- Coresponsibility, or producer participation in the cost of surplus disposal when production exceeds certain levels; and
- A new approach to the Community's agricultural import and export policies.

CAP reform will not necessarily foster liberalized trade. Instead, the cost of agricultural support could be reduced by further increasing protection from imports which would decrease the need for internal market intervention and storage.

The EC's search for new sources of revenue to lessen budgetary pressures could also hurt trade. For example, there are persistent demands for taxes on soybeans and grain substitutes. These products have become a tempting target because they are the

most dynamic element in the U.S. exports to the Community, having risen by 142 percent from 1973 to 1979.

The EC Council has already stated that it may impose some sort of ceiling on dairy support expenditures. But at least a share of any such savings is certain to be reallocated within agriculture to subsidize other exports—especially grains—within the framework of a strengthened CEP.

### Trade Issues

Recently, the Agricultural Committee of the European Parliament endorsed the idea of a CEP and, specifically, long-term sales contracts. The Committee also called for the creation of private export sales agencies to promote exports and long-term credits. The Commissioners were originally opposed to long-term contracts. But now they may also be persuaded to join the ranks of the proponents of these measures as a quid pro quo for accepting additional coresponsibility as a way to meet the cost of the CAP.

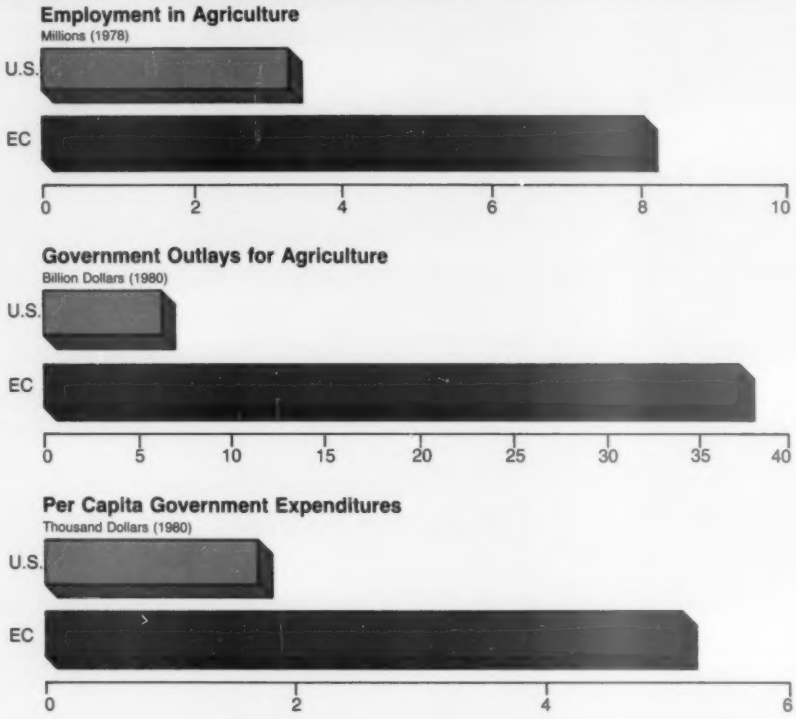
Clearly, any measure that expands, consolidates, and institutionalizes the current levels of subsidized EC exports will threaten legitimate U.S. trade interests and could strain agricultural relations between the United States and the Community.

### The Entry of Spain and Portugal

Accession negotiations are now in progress with Portugal and Spain with a target entry date of January 1, 1984. However, no significant forward movement is expected until later this year, especially given the newness of the present French Government. There is a distinct possibility that the entry date will have to be delayed until 1985.

The most difficult issues in EC–Portuguese negotiations are free movement of labor, agriculture, and the

## EC Outspends U.S. for Agriculture




## EC Commodity Prices and U.S. and EC Support Prices

| Commodity | EC gross prices as a share of world prices | | | Support prices 1980/81 | |
|---|---|---|---|---|---|
| | 1968/69 | 1978/79 | 1979/80 | U.S. | EC-9 |
| | *Percent* | *Percent* | *Percent* | *$/MT* | *$/MT* |
| Wheat | 195 | 193 | 163 | 133.22 | 246.56 |
| Barley | 197 | 225 | 161 | 117.05 | 220.15 |
| Corn | 178 | 201 | 190 | 92.59 | 220.26 |
| Rice | 138 | 157 | 131 | 209.22 | 330.24 |
| Soybeans | 203 | 161 | 185 | 184.23 | 594.17 |
| | | | | *$/100 kg* | *$/100 kg* |
| Milk | — | — | — | 28.22 | 31.45 |
| Nonfat dry milk | 365 | 458 | 379 | 207.23 | 171.70 |
| Butter | 504 | 403 | 411 | 335.10 | 412.04 |
| Cheese | — | — | — | 307.54 | 390.16 |

acceptance by the EC of a zero tariff on Portuguese textiles upon accession. For Spain the issues are free movement of labor and agriculture. Other considerations for both countries are the budgetary implications of their accession.

In the agricultural sector, enlargement of the Community will entail far-reaching structural and economic changes. The accession of Greece plus the planned entry of Spain and Portugal will increase both the farm population and the number of agricultural holdings in the EC by almost 60 percent.

The usable agricultural area will grow by roughly 45 percent, but production will initially rise by only 17 percent or slightly less than the 21 percent growth in population to about 320 million. Existing Community surpluses are likely to be aggravated further once CAP mechanisms come into operation in the new member states.

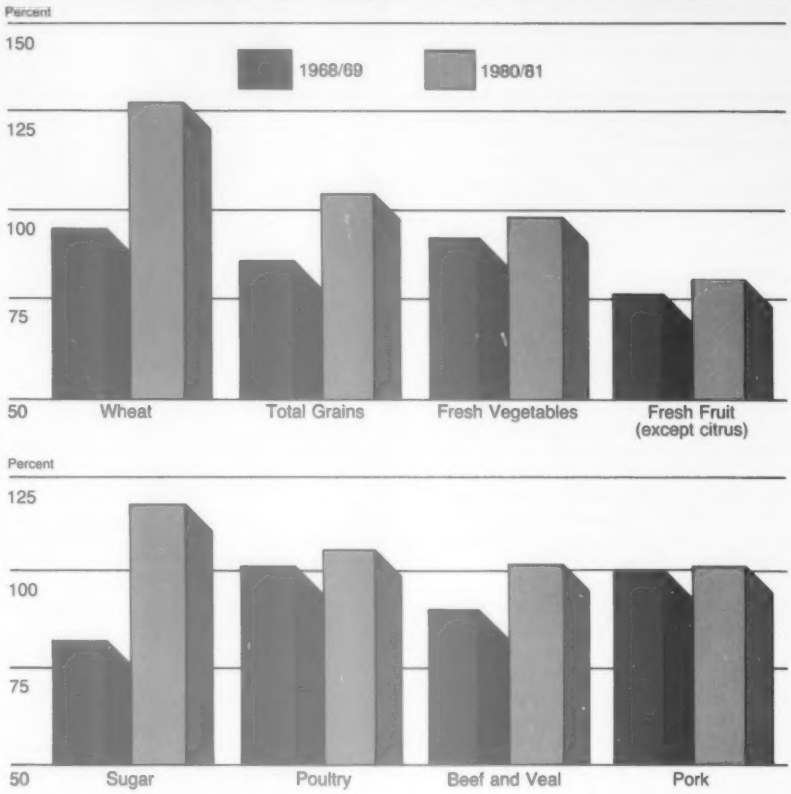
Mediterranean products (fruits, vegetables, wine, and olive oil) represent a high proportion of the crop production in the applicant countries. Of particular concern to the United States is the prospect of displacement by Spain in the EC almond and citrus markets.

### A Crossroads in EC Trade Policy

In sum, the Community's agricultural and trade policies are at a major crossroads. Some in the EC want to live within available resources and are, therefore, seeking CAP reforms that would adjust production downward to match internal demand. Others are seeking new external revenues to finance continued overproduction and surplus disposal under a Common Export Policy.

Much is at stake for the United States. The Community is one of the largest U.S. agricultural export markets (almost $9 billion in fiscal 1981), but at the same time it is rapidly becoming our most formidable competitor in world agricultural trade.■

### EC Becomes Self-Sufficient in Major Crops




### Community Budget Trends

| Item | 1975 | 1979 | 1980 | 1981 | 1982[1] |
|---|---|---|---|---|---|
| | *Percent* | | | | |
| Total resources | 5.67 | 14.37 | 15.04 | 19.30 | 22.40 |
| Agricultural expenditures | 4.71 | 10.84 | 12.04 | 12.88 | 14.77 |
| | *Billion ECU's*[2] | | | | |
| Agriculture as a share of total budget | 83 | 75 | 80 | 67 | 66 |

[1] Estimate. [2] European currency unit.

# EC Expansion: What It Implies For U.S. Fruits And Vegetables

*By Wayne W. Sharp*

As Spain and Portugal join the ranks of the European Community (EC) in the next few years, exporters of fresh fruits and vegetables in the United States and other nonmember countries may well face stiffer competition in their overseas markets.

Certainly, it will be much harder to sell fresh produce to the EC, since Spain clearly has the potential to make the Community self-sufficient in produce production. And judging from what's happened with other commodities in the past, the EC's price support and subsidy systems will tend to encourage surplus production of a wide range of fruits and vegetables. These surpluses may then be marketed aggressively, sometimes helped by export subsidies, in third country markets.

The more prominent U.S. items likely to be affected are fresh citrus and citrus products, almonds, raisins, and table grapes.

**U.S. Produce Sales to EC Lag Behind Growth Rates in Other Markets**

U.S. produce exports to the EC in the past decade already have had their growth rates curtailed more than many other U.S. commodities by the Community's restrictive trading practices.

U.S. fruit and vegetable growers supply a mere 2 to 3 percent of the Community's produce imports, far less than the United States' 17 percent share of total EC agricultural imports.

EC demand for U.S. fruits and vegetables has grown very slowly in the past decade, more slowly than U.S. sales to other areas of the world. As a consequence, the EC now accounts for only about 10 percent of U.S. produce exports, down from 13 percent in 1970.

The United States' poor growth record in the EC is not the result of insufficient U.S. supplies. Total U.S. exports of fruits and vegetables exceeded $3 billion in fiscal 1981—of which $1.2 billion or 40 percent was in fresh form. However, EC produce imports from the United States amounted to only about $115 million—less than a tenth of this total.

The fact that U.S. exporters are at a transportation disadvantage relative to Mediterranean suppliers to the EC also cannot alone explain the sluggish growth.

Japan, for example, is a far more distant market, yet U.S. sales there have grown twelvefold over the past decade from only $14 million in 1970 to $170 million in 1980.

U.S. sales of fresh produce to Japan are almost 50 percent greater than to the EC, despite the fact that Japan is a much smaller market. Its population totals only 115 million compared to 260 million in the Community. Therefore, on a per capita basis, U.S. sales to Japan are currently more than three times as large as to the EC.

If Community purchases per person were at least equal to Japan's, U.S. fresh produce sales to the EC in 1980 would have totaled $385 million. The $270 million difference above actual U.S. sales is a measure of the sales opportunities lost in the EC market in recent years, largely because of its Common Agricultural Policy and its restrictive trading practices.

**U.S. Accorded 'Least-Favored-Nation' Treatment by EC**

Increasing levels of EC producer supports coupled with some import restrictions over the years have fostered a high-cost industry in the Community. The resultant high prices have depressed consumption for all major categories of fresh produce except citrus. Naturally, import growth has been hampered accordingly.

In addition, U.S. fresh fruit and vegetable exporters also have been put at a disadvantage in the EC market because of special preferences which favor other suppliers—namely Mediterranean countries.

The year 1969 marked a significant turning point in this country's produce trade with the EC. In that year, the Community launched its system of preferential tariffs for citrus producers in the Mediterranean area. Citrus is the United States' most important fresh fruit export to the EC.

Since that time, U.S. oranges have not been able to penetrate the EC market except when supplies from these preferred countries are seasonally small or non-existent. Hence, U.S. trade is generally limited to the summer months, even though there are often ample supplies of U.S. oranges for export in the winter.

The effect of these restraints on U.S. orange exports becomes clearer when contrasted with U.S. trade performance in the EC market for fresh grapefruit.

EC import duties on grapefruit are relatively low and the resulting preferential tariff has a lesser effect on U.S. trade. Thus, U.S. exports of grapefruit to the Community have trended steadily upward since the early 1970's, growing from an average of 18,000 tons in 1970/71-1972/73 to almost 81,000 tons in 1980/81.

In contrast, U.S. orange exports to the Community during the same time period dropped from 39,000 tons to 28,000 tons.

Accession to the EC in 1984 will place Spain in a position to supply most of the EC's fruit and vegetable needs itself.

As a result, U.S. suppliers cannot expect their access to the EC market to improve. Moreover, the EC Commission is contemplating other actions which could substantially raise the price of U.S. produce in the EC market.

**EC To Juggle Import Prices To Protect Producers in New Member States**

The Community's CAP not only sets very high internal prices, it also establishes minimum import prices for selected commodities. A key element of this system is the "reference price," which can be manipulated to offset negotiated duty reductions.

To date, because of high ocean transportation costs, prices of U.S. produce landed in EC markets are generally higher than those of suppliers in the nearby Mediterranean region and other locations in Europe. Thus, U.S. produce has been able to enter the Community without the application of a penalty in the form of a countervailing charge.

However, in anticipation of Spain's and Portugal's entry into the EC, the EC Commission has revived an earlier suggestion to change the way reference prices are computed and to expand their coverage.

If the Commission's proposals are adopted, the high ocean freight costs for U.S. produce may no longer provide the margin of safety the U.S. formerly enjoyed and U.S. fruit and vegetable exports may be subject to a countervailing charge.

**Larger U.S. Sales Unlikely Unless Enlargement Causes Policy Change**

If existing fruit and vegetables policies are not changed, the U.S. ability to penetrate EC markets in the future is likely to be even less than in the past.

However, enlargement is causing the EC to rethink its policy for a number of sensitive agricultural items such as fruits and vegetables, wine, and olive oil—and some change in that policy may occur.

Certainly, if existing measures of subsidization are increased and applied to the new member states as well, the EC budget will have to increase substantially. With 12 member States in the future, rather than 10, the drain on the budget will be tremendous, particularly since the new members will be oriented heavily toward agriculture.

Reform of the EC's CAP has profound implications for the future of international agricultural trade and the degree of world food security.

The United States is the world's largest exporter of agricultural products. However, combined EC agricultural imports and exports, excluding intra-EC trade, are 50 percent greater in value than those of the United States. This is because the Community is a much larger importer, accounting for one-third of world trade. Hence, EC agricultural policies have a proportionally greater impact on world agriculture than even those of the United States.■

*The author is Counselor for Agricultural Affairs at the U.S. Mission to the European Communities, Brussels.*

# Fact File

**Trade and Economic Trends In the United States and European Community**

As a trading entity, the European Community (EC) is larger than the United States. Overall, the value of EC exports during 1976-30 was 8 percent greater than that of the United States, and the value of its imports was 26 percent greater. Agricultural products were more than 10 percent of EC exports, while they made up more than 18 percent of U.S. exports. Agricultural products were more than 14 percent of EC imports and more than 7 percent of U.S. total imports. In 1980, the European Community ran an agricultural trade deficit of nearly $20 billion, while the United States had an agricultural trade surplus in excess of $20 billion.

### Structure of EC and U.S. Trade With the World

*(In billion dollars)*

| Item | European Community | | United States[1] | |
|---|---|---|---|---|
| | 1976 | 1980 | 1976 | 1980 |
| **Exports (f.o.b.)** | | | | |
| Agricultural | 10.7 | 25.1 | 23.0 | 41.3 |
| Other | 119.7 | 214.1 | 92.0 | 179.4 |
| **Total** | 130.4 | 239.3 | 115.0 | 220.7 |
| **Imports (c.i.f.)** | | | | |
| Agricultural | 28.5 | 45.0 | 11.5 | 17.9 |
| Other | 125.2 | 274.1 | 118.1 | 235.1 |
| **Total** | 153.7 | 319.0 | 129.6 | 253.0 |
| **Trade Balance** | | | | |
| Agricultural | −17.8 | −19.8 | +11.5 | +23.4 |
| Other | −5.5 | −60.0 | −26.0 | −55.7 |
| **Total** | −23.3 | −79.8 | −14.6 | −32.3 |

[1] F.a.s. basis.

**U.S.-EC trade.** As a proportion of U.S.-EC trade, agriculture has decreased from more than 17 percent in 1976 to roughly 12.5 percent in 1980. The Community, in 1980, had an $8 billion agricultural trade deficit with the United States, along with a $15 billion deficit in trade in other products. EC agricultural exports to the United States increased by 70 percent, while U.S. farm exports to the EC increased by 40 percent.

### Structure of U.S.-EC Trade

*(In billion dollars)*

| Item | EC to U.S. | | U.S. to EC | |
|---|---|---|---|---|
| | 1976 | 1980 | 1976 | 1980 |
| **Exports (f.o.b.)** | | | | |
| Agricultural | 1.3 | 2.1 | 6.6 | 9.2 |
| Other | 17.1 | 35.1 | 19.4 | 45.4 |
| **Total** | 18.3 | 37.2 | 26.0 | 54.6 |
| | **EC from U.S.** | | **U.S. from EC** | |
| **Imports (c.i.f.)** | | | | |
| Agricultural | 7.0 | 10.3 | 1.3 | 2.2 |
| Other | 20.8 | 50.6 | 17.9 | 36.1 |
| **Total** | 27.8 | 61.0 | 19.2 | 38.3 |
| | **EC with U.S.** | | **U.S. with EC** | |
| **Trade Balance** | | | | |
| Agricultural | −5.8 | −8.2 | +5.2 | +7.0 |
| Other | −3.7 | −15.5 | +1.5 | +9.2 |
| **Total** | −9.5 | −23.7 | +6.8 | +16.3 |

**Regional structure of U.S. and EC agricultural trade.** Some 60 percent of the increase in EC agricultural exports during 1976-80 derived from increased EC sales to Africa, the Middle East, and Europe outside the EC. In contrast, these same markets accounted for 15 percent of the increase in U.S. export sales over the same period. Some 60 percent of the increase in U.S. farm exports during 1976–80 came from sales to Asian and Latin American markets. These same markets accounted for only 15 percent of the increase in EC agricultural exports during the same period.

### Regional Structure of U.S.-EC Agricultural Exports

*(In billion dollars)*

| Region | European Community | | United States | |
|---|---|---|---|---|
| | 1976 | 1980 | 1976 | 1980 |
| Asia (includes Oceania, except Australia and New Zealand) | 1.0 | 2.0 | 6.7 | 13.6 |
| Africa | 2.1 | 5.5 | 1.2 | 2.2 |
| Middle East (West Asia) | 1.1 | 3.8 | 0.9 | 1.4 |
| Latin America | 0.7 | 1.9 | 1.9 | 6.2 |
| USSR and Eastern Europe | 0.8 | 3.0 | 2.4 | 3.1 |
| Non-EC Europe | 3.0 | 5.6 | 1.3 | 2.4 |
| Canada, New Zealand, and Australia | 0.5 | 0.8 | 1.6 | 2.0 |
| U.S.-EC | 1.3 | 2.1 | 6.6 | 9.2 |
| Other | 0.4 | 0.6 | 0.4 | 1.1 |
| **Total** | 10.7 | 25.1 | 23.0 | 41.3 |

**Commodity structure of U.S. and EC agricultural trade.** From 1976 until 1980, EC agricultural exports increased by 135 percent to $25 billion. U.S. agricultural exports increased by 80 percent to $41 billion. Some 70 percent of the increase in U.S. farm exports during this period resulted from higher sales of grain and feed and soybeans and products. These same commodity groups accounted for only 25 percent of the growth in EC agricultural exports during the same period.

Roughly 75 percent of the increase in EC agricultural exports during 1976-80 came from greater shipments of dairy, livestock, and poultry and their products, as well as from horticultural and tropical products. These commodities accounted for less than 20 percent of the growth in U.S. farm exports during this time.

### Commodity Structure of U.S. and EC Agricultural Exports

*(In billion dollars)*

| Commodity | European Community | | United States | |
|---|---|---|---|---|
| | 1976 | 1980 | 1976 | 1980 |
| Grain and feed | 2.2 | 5.4 | 11.4 | 19.5 |
| Dairy, livestock, and poultry | 2.8 | 7.4 | 2.4 | 3.8 |
| Oilseeds and products | 0.5 | 1.0 | 5.1 | 9.6 |
| Cotton and tobacco | 0.08 | 0.1 | 2.1 | 4.5 |
| Horticultural and tropical products | 5.2 | 11.3 | 2.0 | 3.9 |
| **Total** | 10.7 | 25.1 | 23.0 | 41.3 |

Editor's Note: EC values exclude intra-EC trade. Totals may not add due to rounding material.

**U.S.-EC economic and price trends.** At 1975 market prices, the U.S. gross national product (GNP) was $1.8 trillion in 1980. In the European Community, the GNP was $1.6 trillion, at 1975 market prices and exchange rates. In current dollars, the U.S. GNP in 1980 totaled $2.6 trillion, while the EC's totaled $2.8 trillion. The per capita GNP of the United States exceeds the Community's by 33 percent in constant dollars and by 12 percent in current dollars. Over the past 5 years, the European Community collectively has experienced a higher level of food and consumer price inflation than the United States.

**Selected Economic Trends in the United States and European Community**

| Year | United States | European Community |
|---|---|---|
| GNP at 1975 Prices and Exchange Rates *(In billion U.S. dollars)* | | |
| 1976 | 1,621 | 1,471 |
| 1978 | 1,784 | 1,557 |
| 1980 | 1,832 | 1,632 |
| 1981[1] | 1,860 | 1,610 |
| GNP at Current Prices and Exchange Rates *(In billion dollars)* | | |
| 1976 | 1,702 | 1,570 |
| 1978 | 2,156 | 2,028 |
| 1980 | 2,626 | 2,800 |
| 1981[1] | 2,870 | [2] |
| Population *(Mid-year, in millions)* | | |
| 1976 | 218.0 | 267.9 |
| 1978 | 222.6 | 269.1 |
| 1980 | 227.7 | 270.8 |
| 1981[1] | 230.1 | 271.6 |
| Per Capita GNP at 1975 Prices and Exchange Rates *(In U.S. dollars)* | | |
| 1976 | 7,436 | 5,490 |
| 1978 | 8,014 | 5,784 |
| 1980 | 8,047 | 6,025 |
| 1981[1] | 8,080 | 5,930 |
| Per Capita GNP at Current Prices and Exchange Rates *(In U.S. dollars)* | | |
| 1976 | 7,806 | 5,859 |
| 1978 | 9,687 | 7,534 |
| 1980 | 11,535 | 10,339 |
| 1981[1] | 12,740 | [2] |

[1] Preliminary. [2] Not available.

**Selected Price Trends in the United States and European Community[1]**

| Year | United States | European Community |
|---|---|---|
| Consumer Prices | | |
| 1976 | 105.8 | 110.0 |
| 1978 | 121.2 | 129.9 |
| 1980 | 153.1 | 160.8 |
| 1981[2] | 167.6 | 182.1 |
| Consumer Food Prices | | |
| 1976 | 108.0 | 113.6 |
| 1978 | 120.4 | 135.2 |
| 1980 | 145.2 | 158.9 |
| 1981[2] | 153.5 | 178.5 |
| Consumer Prices Other Than Food | | |
| 1976 | 105.3 | 108.5 |
| 1978 | 121.4 | 127.5 |
| 1980 | 155.3 | 161.7 |
| 1981[2] | 172.7 | 183.1 |

[1] Indices: 1975 = 100. [2] Preliminary.

# West Germany: Corn Production And Processing

*By Dietmar Achilles*

*"Love and appreciate your corn as you love and appreciate your wife."—an old Inca saying popular in German grain circles.*

West Germany has long been a good customer for U.S. corn producers. But in the last 4 years these purchases have declined markedly from a record high of 3.4 million metric tons to around 1.8 million tons a year. This slide has been caused mostly by the fast increases recently in EC threshold prices which act as tariff barriers against U.S. corn. From 1967/68 to 1980/81 the difference between intervention and threshold prices has grown from 14.8 to 21.6 percent.

The latest data on imports and corn use in the mixed feed industry point to a continuation of this downward trend in imports. In the 1980/81 (Aug.–July) grain year, corn use in commercial feed mixes dipped by 17.0 percent compared with 1979/80. Overall, the Germans have cut their corn imports by 10.2 percent. But purchases from the United States have only dropped by 1.0 percent and U.S. suppliers are still dominant with an overwhelming 81.2 percent share of the market.

Although German corn processors have expressed some concern over quality in the past year, the United States is still their only supplier with sufficient quantities of uniform quality at relatively reasonable prices. German producers cannot provide the quantities of corn the processors require.

## German Corn Production

The production of grain corn plays a minor role in West Germany's overall grain production. In 1980, about 119,000 hectares were planted to grain corn out of a total grain area of 5.212 million hectares. The relatively small share of grain corn area, 15 percent of all corn area, is the result of the short growing seasons in middle Europe. Late frosts in April and May do not allow early plantings, and the relatively wet and cold summers do not favor fast development of the corn plant.

In addition to grain corn area, 695,000 hectares were planted to silage corn. All together, 814,000 hectares or 11 percent of Germany's arable land was covered with corn. In 1980, West German farmers grew 672,000 tons of grain corn, but this was only 3 percent of their grain production.

## Corn Breeding in Germany

Increases in grain corn area in West Germany are limited by the climate and the available varieties adapted to it. A combination of early ripening, cold resistance, and high grain yields is the desired goal of German corn breeders. But experience has shown that the earlier a variety ripens, the lower its grain yield and vice versa.

Drying corn to 14 to 15 percent moisture does not solve the problem because the corn loses quality and drying is becoming more and more expensive. Therefore, German corn breeders are now experimenting with French varieties that have already been adapted to the cooler European climate.

## Corn Use

Almost all of the domestically produced corn is used as feed; 41 percent was directly fed on farms in 1979/80. German farmers usually cannot supply non-feed industries with appropriate shipments of 500 to 2,000 tons of uniform quality corn. Therefore, U.S. yellow corn is still the dominant raw material in the dry and wet milling industry.

In the past few years, a new corn processing procedure has become popular—the high temperature, quick cooking of corn grits. The grits are heated in an extruder machine about 250 degrees Celsius and put under high pressure. They expand when they leave the extruder.

This process enormously simplifies the production of snacks, cereals, and pet foods. It can also be used to modify starch in grain for mixed feed production, a technique not yet used by the commercial mixed feed compounders.

Although this new process does not increase the nutritional value of corn significantly, it makes the corn more palatable to young hogs and might save on the use of expensive feed additives to make the hogs eat more. The procedure may also make imported corn more attractive to German mixed feed compounders.

Because of its high price, corn has recently been taken out of compounded feeds for hogs and its use has been reduced in broiler and layer feeds. Therefore, the new processing procedure could help to reverse this trend and thereby help U.S. corn sales to the Federal Republic.■

*The author is an agricultural specialist, office of the U.S. Agricultural Counselor, Bonn.*

# Lire, Guilders, Francs, And Marks—Exchange Rates and The EC's Farm Trade

*By Stephen Sposato*

If you went into a supermarket in Amsterdam to buy a loaf of bread, the transaction would seem pretty simple. You would just pick out your bread and pay for it in Dutch guilders. But it would be easier for you to grow your own wheat and bake the bread yourself than to figure out how the Europeans came up with the price.

Your bread is priced in Dutch guilders, but the wheat may have come from France where a farmer was paid in francs. How many francs the farmer received would, of course, depend on the exchange rate between the guilder and the franc. Right? Wrong. That's far too simple.

What the French farmer gets for his wheat depends largely on the price support for wheat in France. This price is calculated using the "green rates" of currency exchange among all Common Market currencies. These exchange rates, naturally, are not the same as the commercial rates used by banks. In fact, they are not even the same as the exchange rates under the European Monetary System which uses the european currency unit (ECU) for official transactions between member states.

"Green rates" are set separately from commercial and ECU exchange rates. Then monetary compensatory amounts (MCA's) are used to take into account the differences between them and the ECU rates.

MCA's can be either positive or negative and individual countries use them to create what amounts to import tariffs or export subsidies on trade in farm products. Which way a country uses them depends in part on whether it wants to support farm prices or hold down shoppers' bills at the grocery store. An EC country can alter its green rate, but only to the extent that a currency devaluation or revaluation changes its ECU exchange rate. It then has leeway to keep its green rate at the old rate or alter it to the extent it chooses to reflect the new ECU rate. Confused? So are the Europeans.

Like all mechanisms to set the price and supply of food, the EC's Common Agricultural Policy (CAP) has a long and complicated history. The complications arise from the fact that the Common Agricultural Policy is not really "common." Aside from external Community tariffs and price supports under the CAP, each country really has its own distinct agricultural policy.

Consequently, the CAP has had to become an encrusted compromise among food producers like France, food importers such as Great Britain, and food producers like West Germany that need to protect their farmers from price competition from other EC farmers.

One of the major results of these different national goals has been the use of an artificial exchange system (the green rates) and temporary adjustments to it (MCA's). These two devices can be manipulated to raise or eliminate trade barriers within the EC to meet the varying food and farm policy goals of the member states.

Negative MCA's first came into use back in 1969 when the French were looking for a way to hold down their domestic food prices. The MCA's allowed them to manipulate the "green rate" of exchange so it was easier for producers in other countries to sell cheaply in France and expensive for French farmers to export. Other EC countries received a subsidy to export to France while a levy was charged on French exports.

Shortly after the French imposed negative MCA's, the Germans turned the system around to meet their policy needs. When an increase in the value of the mark threatened the income of German farmers by making food imports cheaper, the West German government instituted "positive" MCA's which effectively acted as a tariff on food produced in other EC countries.

Over the years, the EC has had to pay a high price to maintain its elaborate exchange and price support systems for agriculture. Price supports have stimulated production. And the subsidies now used to help export excess production to markets outside the EC are eating up $8 billion a year, or somewhat less than half the Community's agricultural budget. So pressure has built up to reform the entire CAP system.

The realignment of European currencies that took place last October will play a role as EC leaders meet to discuss the future of the CAP.

With the mark and the guilder revalued upward by 5.5 percent and the franc and the lira devalued by 3 percent, European policy-makers will be faced with the problem of whether to realign their "green rates" and MCA's or consider ways to reform the entire agricultural pricing system. The solution they choose will have an important effect on the future of agricultural trade both inside and outside the European Community.■

*The author is an international economist, Economic Research Service.*

# Country Briefs

**China**

**Continuing Exchanges With U.S.**

China and the United States each will exchange 12 scientific and technical teams in 1982, with U.S. priorities focusing on enhancing trade, extending U.S. research, and conservation efforts to benefit both countries. Plans also call for a soybean symposium in 1982. The first group of exchanges for 1982 will begin in the first quarter of the year.

**European Community**

**EC Barley Sales to the Soviets Open Up Markets for the U.S.**

Global barley buying activity is up substantially from this time a year ago, owing mainly to increased purchasing by the USSR and Spain and other Mediterranean countries. A shift in world trade patterns, brought about mainly by the European Community's apparent decision to sell most of its limited barley surplus this year to the USSR, is leading to larger sales by the United States to new and traditionally EC-supplied markets. The United States has been selling more to countries such as Spain, Tunisia, and Morocco, while Canada has recently agreed to supply Finland with 50,000 tons of barley—a sale which ordinarily would have been made by the EC.

**France**

**New Wheat Standards Could Stiffen Competition For U.S. Exporters**

France regularly produces more wheat than required for its domestic market but French wheat exporters are having trouble penetrating some non-EC markets because importers want more accurate grading information than is now available.

Many of these markets are largely supplied by wheat from the United States, Canada, and Australia, all of which have highly accurate grading data available. The Association of French Grain Growers recently proposed a grading system that will assure foreign customers that the French wheat they are buying is of high quality. The new French grading plan gives physical criteria (moisture content and specific weight), and also includes technical criteria such as ease of grinding.

The availability of such information could make French wheat more competitive with U.S. wheat and that of other major suppliers. This could heat up France's drive to boost its exports to non-EC countries.

The quality standards for French wheat have always been different from those for U.S. wheat because the end products are different. French bread is normally of a type called baguette and must be eaten in a short time after it is baked to prevent it from going stale. High-quality U.S. bread has a relatively long shelf life.

Although France has been a net exporter of wheat for more than 20 years, it still requires 50,000 to 150,000 metric tons of high-quality U.S. or Canadian wheat to meet the baking industry's requirements.

France produced 23.2 million tons of soft wheat in 1980 and was expected to produce about a million tons less in 1981. In the past 20 years, French wheat exports have risen. Domestic use of wheat for non-feed is stagnating and feed use is not growing at a fast enough rate to absorb the rise in soft wheat outturn.

**Japan**

**Japanese Taking More U.S. Barley**

Much of the expected 87,000-ton increase in Japanese barley demand this year is likely to be met by the United States, since Canada and Australia—usually the main suppliers—apparently have already committed a large share of their exportable barley supplies to the Soviet Union. U.S. commitments of barley through mid-December were already twice the level of a year earlier.

**Mexico**

**Corn Imports From U.S. To Be Pared Sharply**

Mexican corn imports, which amounted to 3.8 million metric tons from the United States in fiscal 1981, are expected to be curtailed by as much as two-thirds million tons in fiscal 1982. The import cutback—made possible by the second record-large crop in a row—is aimed at demonstrating the success of the Lopez Portillo administration's efforts in achieving food self-sufficiency. Reduced imports will also facilitate CONASUPO (the government's purchasing agency) need to use its limited funds for increased price support purchases for the record crop.

**Morocco**

**Opportunities Seen for Larger U.S. Wheat Sales**

Even if the drought—which is continuing on into its second year—is broken in time to water the winter wheat crop, large wheat imports could still be needed before the early summer harvest since food reserves have been depleted. In fact, import demand could rise above last year's record 2-million-ton level. With reduced availabilities of wheat for export by some of Morocco's traditional suppliers within the European Community, additional Moroccan import requirements are likely to be met by U.S. soft wheats. U.S. wheat exports to Morocco in fiscal 1981 totaled 745,000 tons valued at $114 million.

**Imports of U.S. Soybean Oil Could Stage Comeback in 1982**

U.S. soybean oils have been virtually cut out of Morocco's import market for oilseeds the past couple of years because of stiff competition from other suppliers, most notably Spain. However, the recent problem in that country involving contaminated vegetable oil is jeopardizing future Moroccan imports of Spanish oil. In addition, concerns about the potential health hazards of rapeseed oil because of unacceptable levels of erucic acid may well stimulate larger imports of soybean oil. In 1982 Morocco is unlikely to import from France the 35,000 metric tons of rapeseed and 30,000 tons of rapeseed oil called for under the 3-year agreement signed in 1981. U.S. soybean oil exporters may be called upon to fill the gap in Morocco's oilseed market.

**Romania**

**Government To Increase Control Over Agriculture**

Pointing his finger at management deficiencies and improper utilization of inputs as reasons for his country's smaller-than-expected agricultural output in 1981, Romania's president announced the end of the independent management for a key segment of that country's agriculture. In 1982, all agricultural mechanization units will become subordinate to state and cooperative farms. Other government actions to spur agricultural productivity include plans to improve storage facilities, step up land drainage activities, and allocate an additional 5,000 tractors to agriculture to speed up completion of fieldwork. In all, the share of Romania's total economic investment in agriculture is targeted to rise to 15.7 percent, compared with a planned 14.2 percent in 1981.

**United Kingdom**

**Shortfall in Apple Crop Could Spur U.S. Sales.**

A 50-percent smaller crop of Britain's preferred cooking apple, and a 20-percent decline in its favorite dessert variety, may open up the United Kingdom for larger imports of North American apples later this season.

As a rule, apples from the United States and Canada are at a disadvantage in the U.K. market because of its membership in the European Community. However, the bad weather which slashed Britain's apple crop last year also bit into crops throughout northern Europe. Consequently, supplies are well below the previous year throughout Europe.

The U.K. bakery industry, which uses very large quantities of cooking apples for apple tarts and pies, will be in the market this year for canned and dried apples of whatever variety is available. In the dessert sector, the shortfall in U.K.-produced apples is unlikely to be made up fully by imports from France or other nearby European sources. There should be a good market later in the season for North American apples, particularly those varieties which are not to be found in Europe or the Southern Hemisphere, as well as those such as Red and Golden Delicious, the bulk of which usually comes from France.

# U.S. Softwood Exports to Spain Slated To Increase

*By L.P. Bill Emerson, Jr.*

The United States—one of Spain's most important softwood suppliers—stands to benefit from the expected long-term expansion in Spain's construction and finished lumber products industries. Several South American, African, and Asian countries will gain from Spain's larger hardwood needs.

Wood imports by Spain are expected to climb substantially in the 1980s, although the growth rate probably will be slower than in the 1970s, when imports climbed 47 percent. In 1980, Spain imported 1.8 million metric tons of lumber, valued at $450 million, of which about $50 million came from the United States.

Spain's own timber output rose 30 to 40 percent in the 1970s, but most of the gain was in low-quality wood used for heating and paper production. However, recent forest fires and droughts, coupled with a below normal reforestation rate, have reduced the potential for future gains.

Furthermore, the recent increases in wood production may have come from a higher rate of cutting in existing, more mature forest stands. Heavy cutting in these stands would reduce timber yield in the near future.

Spain's softwood imports come primarily from Sweden, Finland, the United States, Canada, and the Soviet Union. Although Spain buys more softwoods from Sweden and Finland than from the United States, Douglas fir and southern pines from the United States have a good reputation, and U.S. exporters often receive premium prices because of the lumber's high quality.

### U.S. Softwoods Favored

These U.S. construction woods are preferred because they are straight and well seasoned, and have few natural defects such as knots. They also are planed to unvarying dimensions. U.S. lumber is used mainly for building components such as door and window casings, and for high-quality moldings.

A small portion of imported U.S. woods is used in furniture, papermaking, and for special products.

U.S. softwoods first gained a foothold in Spain back in the 1940s, when the Spanish government began to limit the use of locally produced softwood lumber because it was improperly dried (or not dried at all) and therefore subject to dangerous warpage when used in construction. Since then, the use of high-quality U.S. softwoods has expanded.

### Many Countries Supply Hardwoods

Traditionally, Spain imports tropical hardwoods from African countries for its fine-furniture industry, which is centered in Valencia. Major suppliers in the past have been Equatorial Guinea (a former Spanish colony), the Ivory Coast, Cameroon, Liberia, and Ghana, as well as the Philippines. More recently, Spain has imported tropical hardwoods from Indonesia, Malaysia, and Brazil.

Spanish wood-product exports consist mostly of Castilian-type furniture, but some smaller items, such as handmade artifacts, items for tourists, etc., are also shipped. Most of the furniture is exported to Europe, although relatively small amounts end up in the U.S. market. Because Spanish furniture is highly stylized, there is little competition with U.S.-made furniture.

Domestic forestry operations provide about two-thirds of the medium-grade timber used in Spain's wood-product output and about one-third of the high-quality lumber used in furniture manufacture and construction.

While Spain will probably continue to make strong efforts to boost its wood production, the Spanish demand for imported woods will remain strong. The United States will continue to supply a large part of these imports.■

*The author is U.S. Agricultural Officer, Madrid.*

# Trade Briefs

**EC's Per Capita Use of Fats And Oils Almost a Fifth Higher Than in U.S.**

The European Community's per capita consumption of fats and oils averaged 29.6 kilograms in 1979, compared with the U.S. level of 25 kilograms. The United Kindgom had the lowest intake of fats and oils at 24.9 kilograms and Denmark had the highest at 35 kilograms. The percentage breakdown of fats and oils use was: cooking fats and oils, 47 percent, versus 72 percent for the United States; margarine, 29 percent (U.S. = 20 percent); and butter, 24 percent (U.S. = 8 percent).

**Egypt Could Become Net Importer of Rice**

A shortfall of 4 to 5 percent in Egypt's rice crop, combined with rising domestic consumption, may well result in Egypt becoming a net importer of rice in 1982. If sufficient food aid can be obtained, Egypt may import 55,000 tons of rice.

**Slack Demand for Korean Textiles Likely To Crimp Cotton Imports**

U.S. cotton exports to South Korea are not expected to show much increase over fiscal 1981's level of roughly 276,000 metric tons, unless the economies in Korea's major textile markets begin to improve soon. In recent months, several major importers of Korean textiles, including Japan, have switched to less expensive suppliers such as Pakistan and China, with the result that export prices for Korean cotton products have dropped. Several Korean cotton mills are in financial straits as a result of the narrower profit margins and have been forced to sell their products at prices below production costs to reduce stocks and increase liquidity. Consequently, few mills currently have plans to expand spinning facilities in the months ahead.

**Portugal's Increase in Crushing Capacity To Stimulate Soybean Imports**

New oilseed crushing equipment coming on stream during the first quarter of 1982 will just about double Portugal's crushing capacity, pushing the daily total to about 3,000 tons. With this increased capacity, soybean meal imports are expected to drop to 30,000 tons in 1982, compared with 300,000 tons in 1981. However, soybean imports are expected to more than double—rising to 750,000 tons in 1982 from 300,000 tons in 1981. Portugal projects a surplus of soybean oil in 1982 of about 70,000 tons, compared with 20,000 tons in 1981, and hopes to find North African markets for the surplus.

**Romania's Growth of Livestock Sector Encouraging Greater Feed Imports**

Despite its severe foreign exchange shortage, Romania is expected to continue importing sizable quantities of feedstuffs in 1982 in order to maintain the growth it has achieved in its livestock industry. Feeding of domestically produced grains is hampered by inadequate storage and handling facilities which cause quality problems. U.S. corn exports to Romania in fiscal 1981 totaled 1.6 million tons, up more than half from the year before.

**Spain: Significant U.S. Barley Sales Likely**

With a drought-reduced crop and small stocks, Spain is expected to import a record 1.5 million tons of barley in 1981/82, more than double the 731,000 tons of last year. Since EC barley exports to Spain are likely to be down, the U.S. share could rise to about one-third, making Spain the chief U.S. barley market this year.

**Thais Hope To Boost Corn, Rice Exports**

Thailand recently announced a series of policy changes aimed at making its corn and rice more competitive in world markets. Major steps include removal of export quotas on corn and rice, suspension of export price approval, and a 50-percent reduction in export reserve requirements for rice. The government also announced intentions to stimulate bulk commodity movement through a Ministry of Agriculture Committee that could barter export commodities for agricultural imports such as fertilizer. The Thais have considered bartering 300,000 tons of corn for 150,000 tons of Soviet fertilizer, about 50,000 tons of cassava for South Korean fertilizer, and 300,000 tons of corn for 150,000 to 170,000 tons of Romanian fertilizer.

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